



# County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 713, Los Angeles, California 90012  
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Chief Executive Officer

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Fifth District

August 19, 2008

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**DEPARTMENT OF HEALTH SERVICES: DELEGATE AUTHORITY TO EXECUTE A  
FUNDING AGREEMENT FOR SUPPLEMENTAL MANAGED CARE PAYMENTS  
(ALL SUPERVISORIAL DISTRICTS)  
(3 VOTES)**

**SUBJECT**

Request approval and delegation of authority to the Los Angeles County Department of Health Services to execute an agreement with the California Department of Health Care Services to make intergovernmental transfers to fund supplemental Medi-Cal managed care rate increases for the Community Health Plan.

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Delegate authority to the Interim Director of Health Services, or his designee, to prepare and execute on behalf of the County of Los Angeles, an agreement with the California Department of Health Care Services (DHCS). The agreement will authorize intergovernmental transfers in an aggregate amount not to exceed \$74,670,000, effective October 1, 2006 through September 30, 2008, subject to review and approval by County Counsel and the Chief Executive Office, and written notification to the Board offices when the final agreement is executed.
2. Delegate authority to the Interim Director of Health Services, or his designee, to increase the aggregate amount by no more than \$10,330,000 for a total amount not to exceed \$85,000,000.

*"To Enrich Lives Through Effective And Caring Service"*

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Intra-County Correspondence Sent Electronically Only**

## **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The purpose of these actions is to allow the Interim Director, or his designee, to enter into an agreement with the DHCS, substantially similar to Exhibit I, to make intergovernmental transfers to fund Medi-Cal managed care rate increases for prior and current periods. The agreement provides for DHCS to increase Medi-Cal managed care payments to L.A. Care Health Plan (L.A. Care), which will then provide increased payments to Department of Health Services' (DHS) Community Health Plan. To the extent that supplemental payments are not made to L.A. Care, the money will be returned to the County.

## **Implementation of Strategic Goals**

The recommended actions support Goal 7, Health and Mental Health of the County Strategic Plan, by utilizing scarce resources and making intergovernmental transfers to draw down additional federal funding for our managed care patients.

## **FISCAL IMPACT/FINANCING**

The estimated aggregate of the transfer is \$74,670,000. However, the Department is requesting delegated authority to increase that amount to no more than \$85,000,000 to assure the County's ability to bring in all possible supplemental revenues. This funding will be used to provide the non-federal share of a Medicaid capitation rate increase to L.A. Care. Assuming that a final agreement with L.A. Care is approved by your Board, L.A. Care will then make supplemental payments to DHS.

Approval of these actions will allow DHS to transfer funds to the DHCS of \$37,335,000 per each federal fiscal period (October 1, 2006 through September 30, 2007 and October 1, 2007 through September 30, 2008). L.A. Care will then make aggregate payments which include both the amounts transferred in the intergovernmental transfers and an equal amount of the federal funds which are drawn down. The financial breakdown of the impact, based on an estimated aggregate transfer of \$74,670,000, to Los Angeles County's fiscal periods is as follows:

### **Based on Los Angeles County Fiscal Periods**

L.A. County FY	FY 2006-07	FY 2007-08	FY 2008-09	Totals
Periods	10/01/06 - 06/30/07	07/01/07 - 06/30/08	07/01/08 - 09/30/08	10/01/06 - 09/30/08
Gross Payments	\$56,002,500	\$74,670,000	\$18,667,500	\$149,340,000
Intergovernmental Transfers	28,001,250	37,335,000	9,333,750	74,670,000
Net Payments	\$28,001,250	\$37,335,000	\$ 9,333,750	\$ 74,670,000

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

In October 2006, the State submitted a proposal to the Centers for Medicare and Medicaid Services (CMS) to allow supplements to Medi-Cal managed care capitation rates. The Department and the State continued to work with CMS and finally obtained approval for the supplements on April 10, 2008. Accordingly, pursuant to Section 14164 of the Welfare and Institutions Code, the County of Los Angeles will transfer funds to the DHCS to be used as the non-federal share of the Medi-Cal managed care capitation rate increases. The term of the State agreement will be for the period of October 1, 2006 through September 30, 2008, and DHS shall certify that the funds transferred qualify for federal financial participation.

The County does not receive managed care payments directly from the State; rather, DHCS contracts with L.A. Care, which then subcontracts for services with various provider networks, including DHS' Community Health Plan. Accordingly, this agreement provides that DHCS will submit supplemental capitated rate increases to L.A. Care with the expectation that the full amount of such supplemental payments will be passed through to DHS via payments to the Community Health Plan. DHS is negotiating an agreement with L.A. Care which would obligate them to provide supplemental payments to DHS for services provided during the period covered by the agreement with DHCS. Once those negotiations are complete, DHS will submit the agreement with L.A. Care for Board approval.

DHS understands that DHCS will not make supplemental payments to L.A. Care unless an agreement between DHS and L.A. Care for the pass through of such amounts is in place. Since the Department has been informed by the DHCS that it may take up to two months to finalize the agreement through the State process, the Department is requesting Board approval of the DHCS agreement in advance of the agreement with L.A. Care to expedite the receipt of the supplemental rate increase.

### **CONTRACTING PROCESS**

Advertising on the County's Online Website is not applicable.

Honorable Board of Supervisors  
August 19, 2008  
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**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

There is no impact on current services as a result of this authorization. However, approval of this action will allow DHS to promptly receive additional Medi-Cal managed care funding, which is included in the Fiscal Outlook for DHS.

Respectfully submitted,



WILLIAM T FUJIOKA  
Chief Executive Officer

WTF:SRH:SAS  
MLM:LT:yb

Attachment

c: County Counsel  
Executive Officer, Board of Supervisors  
Interim Director, Department of Health Services

081908\_DHS\_MC RATE

**INTERGOVERNMENTAL AGREEMENT REGARDING  
TRANSFER OF PUBLIC FUNDS**

This Agreement is by and between the CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES ("DHCS") and the COUNTY OF LOS ANGELES, CALIFORNIA, (the "County"), with respect to the matters set forth below.

**RECITALS**

A. This Agreement is made pursuant to the authority of Division 9, Part 3, Chapter 7, Article 5 of the Welfare and Institutions Code, section 14164.

B. Local Initiative Health Authority for Los Angeles County dba L.A. Care Health Plan ("L.A. Care") is a special purpose public agency in Los Angeles County formed pursuant to Welfare and Institutions Code Sections 14087.96 *et seq*, 14087.38 *et seq*, and Ord. 94-0100 § 1 (1994) of the Los Angeles County Ordinance Code. L.A. Care is a party to a Medi-Cal managed care contract with the DHCS, entered into pursuant to Welfare and Institutions Code section 14087.3, under which L.A. Care arranges and pays for the provision of covered health care services to eligible members residing in the County.

THEREFORE, the parties agree as follows:

**AGREEMENT**

1. Transfer of Public Funds

1.1 The County shall transfer funds to DHCS pursuant to section 14164 of the Welfare and Institutions Code, for each of the periods October 1, 2006 through September 30, 2007 and October 1, 2007 through September 30, 2008 up to a maximum annual total amount for each period of Thirty-seven Million Three Hundred and Thirty-five Thousand dollars (\$37,335,000), for a maximum total amount of Seventy-four Million, Six Hundred Seventy Thousand dollars (\$74,670,000), to be used as the nonfederal share of Medi-Cal managed care

capitation rate increases for L.A. Care as described in section 2.2 below. The funds shall be transferred in accordance with a mutually agreed upon schedule between the County and DHCS, in the amounts specified therein.

1.2 The County shall certify that the funds transferred qualify for federal financial participation pursuant to 42 C.F.R. part 433 subpart B.

2. Acceptance and Use of Transferred Funds by DHCS

2.1 DHCS shall exercise its authority under section 14164 of the Welfare and Institutions Code to accept funds transferred by the County pursuant to this Agreement as intergovernmental transfers, to use for the purpose set forth in section 2.2 below.

2.2 The funds transferred by the County pursuant to this Agreement shall be used to fund the nonfederal share of increases in Medi-Cal managed care capitation rates and shall be paid (together with the related federal financial participation) by DHCS to L.A. Care as part of L.A. Care's capitation rates for the periods October 1, 2006 through September 30, 2007 and October 1, 2007 through September 30, 2008. The rate increases paid under this section 2.2 shall be in addition to (and shall not replace or supplant) all other amounts paid or payable by DHCS or other State agencies to L.A. Care including but not limited to: (a) any periodic, special or annual rate increases payable to L.A. Care by DHCS for Medi-Cal managed care services; (b) any rate increases that may result from the implementation of changes to L.A. Care's Medi-Cal service obligations; and/or (c) any and all other rate increases or amounts payable by DHCS or any other State agency to L.A. Care for any reason relating to health care or other services provided for or arranged by L.A. Care at any time.

2.3 DHCS shall seek federal financial participation for the rate increases specified in section 2.2 to the full extent permitted by federal law.

2.4 Within thirty (30) calendar days of the end of each State fiscal year, DHCS shall advise the County and L.A. Care of the amount of the Medi-Cal managed care capitation rate increases that DHCS paid to L.A. Care during the applicable State fiscal year involving any funding under the terms of this Agreement.

2.5 If any portion of the funds transferred by the County pursuant to this Agreement are not expended for the specified rate increases under Section 2.2, DHCS shall return the unexpended funds to the County no later than December 31, 2008.

3. Amendments

3.1 No amendment or modification to this Agreement shall be binding on either party unless made in writing and executed by both parties and approved by the California Department of General Services, if required.

3.2 The parties shall negotiate in good faith to amend this Agreement as necessary and appropriate to implement the requirements set forth in section 2 of this Agreement.

4. Notices. Any and all notices required, permitted or desired to be given hereunder by one party to the other shall be in writing and shall be delivered to the other party personally or by United States first class, certified or registered mail with postage prepaid, addressed to the other party at the address set forth below:

To the County:

Interim Director  
County of Los Angeles  
Department of Health Services  
313 N. Figueroa Street, Rm. 912  
Los Angeles, CA 90012

With copies to:

Howard Kahn, Chief Executive Officer  
Local Initiative Health Authority for Los Angeles County dba  
L.A. Care Health Plan  
555 West 5<sup>th</sup> Street, 29<sup>th</sup> Floor  
Los Angeles, CA 90013

To DHCS:

Kevin Melrose  
California Department of Health Care Services  
Medi-Cal Managed Care Division  
1501 Capitol Avenue, Suite 71-4006  
MS 4402  
P.O. Box 997413  
Sacramento, CA 95899-7413

5. Other Provisions

5.1 This Agreement contains the entire Agreement between the parties with respect to the Medi-Cal rate increases for L.A. Care described in section 2.2 and supersedes any previous or contemporaneous oral or written proposals, statements, discussions, negotiations or other agreements between the County of Los Angeles and the California Department of Health Care Services. This Agreement is not, however, intended to be the sole agreement between the parties on matters relating to the funding and administration of the Medi-Cal program. One or more other agreements already exist between the parties regarding such other matters, and other agreements may be entered into in the future. This Agreement shall not modify the terms of any other agreement between the parties.

5.2 The non-enforcement or other waiver of any provision of this Agreement shall not be construed as a continuing waiver or as a waiver of any other provision of this Agreement.



5.3 Section 2 of this Agreement shall survive the expiration or termination of this Agreement.

5.4 Nothing in this Agreement is intended to confer any rights or remedies on any third party, including, without limitation, any provider(s) or groups of providers, or any right to medical services for any individual(s) or groups of individuals; accordingly, there shall be no third party beneficiary of this Agreement.

5.5 Time is of the essence in this Agreement.

5.6 Each party hereby represents that the person(s) executing this Agreement on its behalf is duly authorized to do so.

6. State Authority. Except as expressly provided herein, nothing in this Agreement shall be construed to limit, restrict, or modify DHCS' powers, authorities, and duties under federal and state law and regulations.

7. Approval. This Agreement is of no force and effect until signed by the parties, and approved by the California Department of General Services, if required.

8. Term. This Agreement shall be effective as of October 1, 2006, and shall expire as of December 31, 2008 unless terminated earlier by mutual agreement of the parties.

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement on  
the date of the last signature below.

COUNTY OF LOS ANGELES:

By: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
(Printed Name and Title)

STATE OF CALIFORNIA, DEPARTMENT OF HEALTH CARE SERVICES:

By: \_\_\_\_\_

Date: \_\_\_\_\_

Jayna Querin, Chief, Contract Management Unit

(Printed Name and Title)